

CONCEPT: TRANSACTION ANALYSIS – BUSINESS FORMATION EXAMPLE

(a) Upon establishing Clutch Tutoring, Inc., Johnny Clutch paid \$50,000 cash, for which the company issued common stock.

Journal Entry:

Journal Entry:				
<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>

(b) Clutch purchased \$40,000 of land with cash.

Journal Entry:

Journal Entry:				
<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>

(c) Clutch purchased \$8,000 of supplies **on account**.

Journal Entry:

Journal Entry:				
<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>

(d) Clutch held several reviews throughout the month, charging \$5,000 to its customers **on account**.

Journal Entry:

Journal Entry:				
<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>

(e) Clutch paid its tutors for the month in cash for a total of \$3,000.

Journal Entry:

Journal Entry:				
<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>

(f) Clutch received payments on account from customers totaling \$3,500.

Journal Entry:

Journal Entry:				
<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>

(g) Clutch paid a dividend to its stockholder, in the amount of \$500.

Journal Entry:

Journal Entry:				
<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>

(h) Johnny Clutch was excited about the company's success and bought his girlfriend a new car for \$20,000.

Journal Entry:

Journal Entry:				
<u>Assets</u>	=	<u>Liabilities</u>	+	<u>Equity</u>